MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2017/2018

BAE1034–ENGLISH FOR BUSINESS STUDIES

(All sections)

6 JUNE 2018
2:30 a.m. – 4:30 a.m.
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of **FIVE** printed pages with **3** sections.
2. Answer **ALL** questions.
3. Write all your answers in the answer booklet provided.

SECTION A: READING COMPREHENSION [20 MARKS]

Instructions: Read the passage carefully and answer ALL questions that follow.

Weekly Fuel Price Changes – Good or Bad?

1 Following the Organisation of the Petroleum Exporting Countries' (OPEC) commitment to cut crude oil production, Brent crude oil has been hovering between US$50 and US$55 per barrel since January 2017. The median price sits at US$45.13 per barrel in 2016. While the Malaysian government benefits from additional revenue, consumers are now facing difficulties, as pump prices impact at least 15 per cent of the consumer price index (CPI) basket of the average consumer. [1.] Inflation was largely driven by the cost-push impact of higher global crude oil prices on retail pump prices, which resulted in a 23 per cent y-o-y jump in the transport portion of the CPI basket of goods.

2 Generally, retail pump prices in oil-exporting countries such as Malaysia, Saudi Arabia and Kuwait are significantly lower when compared to advanced countries such as Singapore, United Kingdom and Hong Kong. According to GlobalPetrolPrices, [2.] Against the regional peers, Malaysia has the cheapest retail pump prices, on record.

3 Under the previous managed float system, pump prices were determined using the Automatic Pricing Mechanism in which petrol price for the month was determined by using the average price difference in refined petroleum products of the last 10 days of the previous month and then adding in other operational costs. However, consumers would argue against the inability of the system to reflect the timely movement of crude oil prices. In which case, consumers may end up disadvantaged, if current crude oil prices fall below the average of the previous month. The reverse also holds true, in the interests of the dealers.

4 With the government pressured to find a balance, the weekly pump price mechanism seemed like the answer to all problems. Under the new system, ceiling prices will be announced every week using the average crude oil price of the previous week. The new mechanism would result in minor and less noticeable fluctuations in the ceiling prices. Small changes in petrol price may prevent any panic buying by consumers, which in turn may cause unwanted congestions at petrol stations.

5 So do consumers really benefit from the new system? The answer is difficult to say since it depends on a lot of factors. While it is inevitable that consumers will have to adapt to higher fuel prices, the advantage with the weekly pricing mechanism is that increases in petrol price will be on a gradual basis. [3.]

6 [4.] In fact, retail pump prices are revised on a daily basis in Australia and the UK. For instance, in Australia, petrol station operators are allowed to set competitive prices (as long as it is below the ceiling price), without any restrictions from the government.

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Therefore, price competition depends on total amount of petrol stations in the area, brand of petrol stations and policies adopted by the respective operators reacting to local competition. Naturally, operators would set their retail prices in discounted cycles. During the first few days after the new ceiling prices are announced, operators would aggressively lower their retail prices in reaction to their rivals in order to attract more patrons. However, maximum price cuts can only be sustained for a short period of time before prices gradually revert to the initial price ceiling. Consumers eventually take advantage of the cycle by purchasing fuel on the cheaper days of the week.

7 [5.] Currently, the discount mechanism on government-set ceiling prices is being finalised by the Ministry. However, if petrol station operators were to set their retail pump prices below the ceiling, operators will need to obtain permission from the Ministry prior to doing so. While competition can be on prices offered, the margin can depend on other services provided like convenience stores selling drinks and food or the setting up of a loyalty programme. In this case, petrol stations can be innovative in the services they provide to ensure that they will secure the biggest market share of consumers. However, with free competition, smaller, unprofitable players will likely be eliminated from the game.

8 In order to mitigate this issue, the Ministry should formulate a practical solution to soften the blow on low-income households in making ends meet. While the ultimate goal would be to form sturdy policies to address income inequality, solutions in the form of subsidies could be considered.

Adapted from Mottain. M. The Star Online. Saturday, 6 May 2017. Retrieved from https://www.thestar.com.my/business/business-news/2017/05/06/weekly-fuel-price-changes-good-or-bad/

Author's Biography

Manokaran Mottain is the Chief Economist at Alliance Bank Malaysia Bhd. He is also a regular writer for NST Economy Section. He has also published in the 2018 Economic Outlook Report Today. He is also an active member of the Consultative Committee - Malaysian Indian Blueprint. He was interviewed by NHK Japan, on "Ringgit Currency Trend and Oil Price Effect".

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Question I (5 marks)
Instructions: Decide which of the sentences (a) – (e) best fits in each of the boxes labelled 1-5 in the passage.

a. Notably, similar pricing mechanisms have been implemented in several developed countries such as Australia, the UK and Germany. [ ]

b. It would be easier for consumers to adapt to a 3 sen change in petrol price, compared to a 20 sen increase. [ ]

c. March inflation rose 5.1 per cent year-on-year (y-o-y), marking the highest level since 2008. [ ]

d. Malaysia ranked 16th out of 170 countries surveyed at US$0.51 per litre which is well below the global average price of US$1.03 per litre. [ ]

e. In Malaysia, tension between petrol station operators remains low as petrol station operators are not allowed to offer price cuts for the time being. [ ]

Question II (5 marks)
Instructions: Find a word in the passage for each of the meanings below.

a. a system that operates (Paragraph 4)
b. impossible to avoid or prevent (Paragraph 5)
c. customers (Paragraph 6)
d. being or productive of something fresh and unusual (Paragraph 7)
e. relieve (Paragraph 8)

Question III (10 marks)
Instructions: Answer the following questions in complete sentences.

a. How does the government determine the monthly petrol price? (2 marks)

b. State one disadvantage to consumers when monthly pricing is implemented instead of weekly pricing. (1 mark)

c. What can the government do to determine the fuel weekly price? (1 mark)

d. Explain the effects of fuel price fluctuation to consumers. (1 mark)

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e. Explain the three key factors to be considered in a price competition setting. (3 marks)

f. How can the daily pricing method benefit consumers? (1 mark)

g. Explain the what the phrase "...making ends meet" (line 63-64) means. (1 mark)

SECTION B: CRITIQUE WRITING [10 MARKS]

Question I (10 marks)
Instructions: Based on the reading text in Section A, evaluate the author's and text's **validity, objectivity** and **credibility**. Support your answers with detailed elaboration and provide evidence from the text where necessary. Write your answers in 200 – 250 words.

SECTION C: GRAMMAR [30 MARKS]

Question I (15 marks)
Instructions: Construct a concise sentence based on each set of sentences below.

Example: (0) In the month of April, we detected a quality control issue. It was instructed by the CEO that this item be presented by the manager at the next board meeting.

The CEO instructed the manager to present the quality control issue detected last April in the next board meeting.

a. Continued soft-market conditions, coupled together with the pursuit of capital efficiencies, regional and product expansion, are the important key factors to provide the driving force for the current success. (3 marks)

b. It was announced by AB Consultant security manager in a press conference last week that the police will conduct an investigation to announce it to the public the individuals who hacked the company's security system. (3 marks)

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c. Prime Tech CEO, Robert Banner, was of the opinion that the company would re-emerge again as one of the largest office system providers in the region. He stated that confidently in the recent press conference. (3 marks)

d. The meeting was postponed by the management to a later date due to the fact that Mr Nicky, who was also the chairperson, was in Singapore. (3 marks)

e. WoodWorld is known as one of the major furniture manufacturers in Malaysia. It will hold its annual largest shopping promotion for its major customers at the end of this month to show the company's appreciation and to thank them. (3 marks)

Question II (15 marks)

Instructions: For each word below, add a suitable **affix** or **affixes**, and **construct** a sentence set in a business context using the newly-formed word. The sentence should have a **minimum of ten** words.

Example: (0) popular (Add a suffix)

Word: popularity

Sentence: Online shopping in Malaysia is poised for significant growth, given its rising popularity and adoption among local consumers.

a. honest (Add a prefix)
b. pay (Add a prefix)
c. region (Add a suffix)
d. solid (Add a suffix)
e. constitute (Add a prefix and a suffix)

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